The Market for Alpacas

Unlike many other livestock markets we know – for dogs, or horses, or cattle – the Alpaca market in the UK is still in an infant state. These other markets have been around for a couple of hundred years or more, so buyers and sellers already have an established infrastructure supporting the market. Supply and demand is pretty transparent, and the basis for pricing and quality assessment is fully documented.

Most important of all, the economic case supporting the underlying price structure in these markets is well established and understood. Another word for this is confidence. You can see the importance of this in a number of markets on a daily basis – the Stock Market being a prime example.

So what is the “economic case” for an Alpaca? Perhaps it would be more useful to ask “Why would anyone buy an Alpaca?” We can quickly rule out pets or food as a serious reason for buying Alpacas. Recreational activities don’t figure either, unlike its cousin the Llama. I’ve heard Alpacas described as an “Investment” – but this is rather circular – it’s only an investment if people are willing to buy the animals. So as you might expect, we arrive at the obvious conclusion – the Alpaca is a fibre animal.

Slightly less obvious – and perhaps less welcome - is the fact that in the current market we can’t make an “economic case” for the Alpaca based on fibre production. Of course, some people just want a few geldings for hand-spinning and knitting garments for sale as a “hobby-business”, and don’t care about the strict economics of the case. This is true, but it will hardly generate the level of demand required to sustain a healthy price structure as the industry – and the national herd size – grows.

Several factors need to change to make a UK fibre industry viable. Basic fibre statistics of the national herd such as yield, fineness, and quality must be greatly improved. The fibre price also needs to rise. This will happen as volume increases, and yarn and garment manufacturers gain confidence in the quality and security of supply of fibre from a British Alpaca herd. Most importantly, we need to establish a clear brand identity for the UK product.
But why should today’s prospective buyer worry about the state of the fibre market several years down the line? The reason is simple. The current price structure of the market is effectively underpinned by the expectation of a viable UK fibre industry at some point in the future. If the market loses confidence in this outcome, then this will undermine the price at which today’s buyer of breeding stock could sell offspring in the future.

On the other hand, if we have a convincing economic case showing why buying Alpacas makes good business sense, we will improve our chances of sustaining prices available to breeders at a sensible level. But we need to do more. As members of this infant industry, we need to work together to help it grow up – and from a motive of pure self-interest, not altruism. But to work together effectively, we need to understand how the market will develop.

Fortunately, we don’t have to speculate too much on this subject. Others have gone before us, and we can learn from their experience. In North America and Australia, the Alpaca market is several years ahead of the UK. It is comforting to note that the prices for animals have been remarkably stable in both these markets. Growth rates have been encouraging too – around 30% p.a. compounded over the last few years. US fibre production is around 40 tonnes, Australian over 60 tonnes. This compares with an estimated 6 tonnes for the UK, so we still have some way to go.

Some common features stand out in the rapid growth of both these markets. These include a very significant increase in fibre quality in recent years, major investment by the breed associations in the development of their national market, and most importantly, the great efforts of the respective fibre co-operative organisations to grow the commercial fibre market.

The Alpaca Fiber Co-operative of North America (AFCNA) is projecting sales for 2003 approaching $1,000,000. Here, at least, the infant is starting to walk. It is market structures such as these that build confidence supporting price levels not yet seen in the UK – studs selling at auction in the US for up to $250,000, for example.
But until we get to this point, confidence in the UK market will be encouraged by evidence of an active breed society, such as BAS and BLAA, as well as a thriving and effective fibre marketing operation. This leads to a rather paradoxical conclusion – the primary reason to support the activities of a fibre co-op, at least in the short term, is to underwrite the market value of Alpacas produced by breeders, rather than as a means of earning money from the fleeces!

New buyers entering the Alpaca market will be looking for their own route to commercial viability – after all, they may have their own hopes of selling Alpacas some day. If we are to judge from the experience of other countries, one of the key factors in market success will be the speed at which the fibre quality and yield can be improved. So top quality genetics will be at a premium.

Colour may also be a significant factor. Peru is by far the world’s largest fibre producer with 3500 tonnes, but nearly all of it is white. This make good sense in the primary market they serve, the fashion industry, which will dye the fibre according to the (ever-changing) requirements of the leading designers.

It will be a long time – if ever – before the UK can compete in terms of volume with Peru. However, a range of natural colours, available from a local and sustainable source, could very well provide an important point of differentiation for UK fibre when competing with the Peruvians. The conclusion here is that it may be advantageous for the small breeder to specialise in one part of the available colour range – black, for example – thus providing a strong point of differentiation in a market where natural colours are being promoted.

This brings us to another level of market organisation – the need for breeders to co-operate, particularly in local associations. This is happening already, of course, with regional groups such as the South West Alpaca Group (SWAG), who provide a valuable forum for Alpaca owners to meet and exchange information.
There seems to be less cooperation on sales and marketing matters, at present. This can be as simple as referring a prospective buyer to another breeder, if they have a requirement you cannot satisfy – for example, you specialise in black, and they want a fawn. What goes around comes around, and you might expect to have the favour returned some day.

Another possibility is to share a stand at a county or breed show. This reduces the cost of the exercise, and makes it easier to keep someone on the stand throughout the event. A joint web site, promotional literature and mail-shot could also be worth considering, if you find the relationship is working.

In a mature market, the problems of competition and conflict of interest tend to preclude such arrangements. In our own infant market, however, the problem is to grow the market as fast as possible, so that everyone will gain, rather than worry too much about competitive issues.

In short, we all need to promote the industry as well as our Alpacas.